UNITED
NATIONS

E

Economic and Social
Council

GENERAL

E/ECE/1258
28 February 1992

Original: ENGLISH

ECONOMIC COMMISSION FOR EUROPE

Forty-seventh session
(Provisional Agenda item 4(a))

COOPERATION IN THE FIELD OF ECONOMIC ANALYSIS AND ASSISTANCE TO COUNTRIES IN TRANSITION

(Commission decision B (46))

Report by the Executive Secretary

1. This report has been prepared pursuant to paragraph 10 of decision B (46). A report on the practical and sectoral activities of the subsidiary bodies and the secretariat, as referred to in paragraph 4 of decision B (46), is contained in document E/ECE/1254.

2. In paragraph 1 of this decision the Commission reaffirmed the need for high-quality "observation and analysis of the development of economies in the region, and in particular those of central and eastern Europe, in order to promote the process of economic reform and to integrate the economies in transition with the European and global economies". This has been at the centre of the secretariat's work of economic analysis and its analytical work on the transition process, including internal and external conditions, has been accorded high priority. In the Economic Bulletin for Europe, volume 43, special attention was paid to the costs of transformation in terms of output, employment and social security, as well as to the collapse of the intra-CMEA

GE.92- 20570/7331a

trade and payments system and its impact on the mutual trade of the economies in transition. The Economic Survey for Europe in 1991-1992 will further highlight developments in the transition countries, including those relating to property rights and privatization.

3. Considerable efforts have been made in the past year "by member countries, the European Community and competent international institutions to participate actively in transition-related activities on a bilateral or multilateral basis" (para.2).

4. In response to the request contained in paragraph 3 of decision B (46) concerning cooperation "with the European Community and with the other international institutions dealing with the same issues of economic research and analysis", the secretariat informed the Senior Economic Advisers about its contacts with the European Community and the international organizations listed in the decision. On that occasion it was acknowledged that there had been no duplication and that the necessary steps towards cooperation with the European Community, the OECD and the World Bank had been taken. The Senior Economic Advisers requested the secretariat to continue its efforts towards closer cooperation and coordination with these organizations and other international organizations engaged in the economic analysis of the transition process. Accordingly numerous contacts, including mutual visits, have resulted in closer cooperation in the area of economic analysis.

5. In response to the request contained in paragraph 4, the Senior Economic Advisers made an assessment of the workshops held under the auspices of various Principal Subsidiary Bodies. This assessment indicated that the workshops appeared to be a very flexible and cost-effective approach to helping economies in transition tackle their current problems. The Senior Economic Advisers found that "the workshops could be a useful method of work, provided that they are well prepared, oriented towards practical issues of transition to a market system and restricted to a limited number of participants in order to ensure an effective dialogue ... The Senior Economic Advisers also stressed that the original concept of workshops, particularly with respect to the limited involvement of the secretariat, should be maintained. This principle was of special relevance to workshops held in priority areas of activity, notably economic analysis." (ECE/EC.AD/38, para. 41)

6. With respect to the Commission's request that the secretariat "facilitate consultations with interested countries and international institutions in order to provide expertise on programmes of transition to a market economy" (para.5 of decision B (46)), the Senior Economic Advisers asked the Executive Secretary to contact the heads of the IMF, OECD, EC, IBRD, and EBRD to indicate that (i) ECE members, including the former Soviet Union and other countries in transition to market economies, had expressed interest in a meeting of relevant multilateral organizations and interested Governments to address the question of coordination of the provision of advice and expertise to nations in economic transition; and that (ii) they would appreciate the views of the head of each organization or other concerned officials as to the value of such a meeting, the level at which such a meeting might be convened, the time it might be held and the subjects it might address. In their replies to the Executive Secretary, the representatives of the organizations concerned took the view that there was no need for such a meeting, as the problem of coordination of financial and technical assistance to the countries of central and eastern Europe was adequately taken care of by existing mechanisms.

7. The second session of the Joint Working Group on Environment and Economics, held in December 1991, examined the costing and funding of environmental policies in a context of competing priorities, on the basis of the report of a workshop on this topic organized by Hungary in cooperation with ECE and OECD in October 1990. The Working Group also analysed the macro-economic implications of environmental policies on the basis of the report of a workshop on this topic which took place in Oslo (Norway) in September 1991. An ad hoc Meeting on Economic Instruments for Environmental Policies for countries in transition was convened by the Joint Working Group in cooperation with OECD. The Working Group supported the proposal made by the ad hoc Meeting that the Senior Advisers on Environmental and Water Problems and the Senior Economic Advisers recommend to ECE Governments that were not members of OECD that they apply the OECD "Guidelines and considerations for the use of economic instruments in environmental policies". The Joint Working Group prepared a programme of work which includes as main items the assessment of the situation in economies in transition, the impact of economic restructuring on the environment, costing techniques for environmental protection, and the use of economic instruments for environmental policies.

8. The Senior Economic Advisers continued their analysis of selected medium- and long-term economic issues (para.7). A first ad hoc Meeting on International Trade and Structural Change was held in 1991. The Senior Advisers decided to hold a second meeting on that subject in April 1992. They invited member countries to prepare studies on a list of selected topics proposed by the first ad hoc meeting and decided to explore the issues raised by the opening of borders in some geo-economic sub-regions and cooperative ways of dealing with them. The Czech and Slovak Federal Republic, as lead country, on the basis of national contributions provided by interested countries, will prepare an analytical study on such issues for consideration by the Senior Economic Advisers.

9. In reviewing the work done by the secretariat on the specialized macro-economic data base and the further development of the system of SEM model, the Senior Economic Advisers underlined the usefulness and importance of these activities for member countries and recommended that the data base be extended to incorporate international trade, financial relations, environment and other relevant statistics to facilitate inter-disciplinary research.

10. In accordance with paragraph 8 of decision B (46), in their discussion of the current economic situation, short-term prospects and policy issues in the member countries, the Senior Economic Advisers made use of the Economic Survey of Europe in 1990-1991, which they found highly relevant to their work. The discussion drew mainly upon chapters 1 and 4 and focused on those sections which had been selected as priorities for the exchange of views, i.e. the sequencing of structural reform and macro-economic policies required for the transition to a market economy and the impact of the dismantling of the CMEA trade and payments system on the economics of central and eastern Europe and east-west economic relations. When discussing future work, the Senior Economic Advisers expressed the view that the Survey should continue to pay special attention to the process of transition to the market economy in central and eastern Europe. It was also suggested that the secretariat should provide Governments with regular updates of recent developments. As a follow-up to these proposals, the secretariat prepared a document, The ECE economies in mid-1991, which was made available to the Senior Economic

Advisers. Subsequently, the opening section of the Economic Bulletin for Europe, Volume 43, discussing major developments and policy issues in the ECE region, was issued in early December 1991. The secretariat has made considerable efforts to ensure that the Survey be published in due time, but exceptional developments in the ECE region have made this very difficult as the necessary data for most countries are not available until February.

11. In response to paragraph 9 of decision B (46), the Senior Economic Advisers considered the short- and medium-term impact of the Gulf crisis on the ECE member countries, including the economic consequences resulting from the application of Security Council Resolution 661. They concluded that the Gulf crisis had not had a substantial impact on the developments in the region as a whole, although it may have exacerbated some unfavourable trends which were already under way for the balance of payments and for some member countries which were more heavily involved in economic cooperation with Iraq and/or Kuwait. Country notes submitted by Romania, Turkey and Yugoslavia were annexed to the report of the Senior Economic Advisers (ECE/EC.AD/38/Add.1). Some delegations stressed that a full and accurate appraisal of the impact of the Gulf crisis should include careful consideration of a broad range of factors and take into account both direct and indirect effects. Accordingly, the Senior Economic Advisers expressed the view that the Committee established by Resolution 661 should identify ways and means by which these countries can be assisted in overcoming the consequences of the application of that Resolution. The Senior Economic Advisers asked the Executive Secretary to report these findings and recommendations to the Secretary-General and to the forty-seventh session of the Commission.